GOVERNMENT OF MADRAS. Secst. H-28 —60,000—31-10-50.

Development (1951) Department

Endorsement

FOR MYSORE STATE

FURTHER PAPERS.

Department.	Number.	Series.	Date.
Lodged NO	70410	R+DII/52	12.9.52

M. K. BHANDARKAR. B Sc.
MANAGER
THE INDIA SUGARS & REFINERIES LTD.
HOSPET
(BELLARY DIST.)

Dated 16/11/50.

To, The Hon'ble Minister of Revenue
Madras.

DEPUTY SECRETARY TO GOVERNMENT
13 NOV 1950
DEVELOPMENT DEPT.

116288 Pdu 18-11-50.

Dear Sir, I herein a short note
I have prepared giving bare outlines of starting of a cooperative
Sugar factory under the Tungabadra
Canal. I hope this will be of interest to you
and you will not dismiss it as the
vague dreams of an imaginary or
Suggestion of a job hunter.

If you require any further
details with the economics of the Scheme
I shall be only too pleased to
furnish them.

I feel Kampli where there
is already 2500 acres under cane
would be the most suitable place
for starting of a factory because
already there is a nucleus of cane
and the factory would be assured
of about 60,000 tons of cane from

the very inception.

The only drawback in selecting this place is that it is too far away from the nearest railway station but I feel this consideration alone need not necessarily rule it out, because if the new channel is made navigable and there is no reason why it should not be, Sugar and other raw materials could be transported by boat to the nearest railway station by Boats. If for any reason this cannot be done the next best place would be between Gurukul & Raichur. I also wish to mention here that there are several mill owners in U.P. & Bihar who will be only too willing to shift their factories to Madras or sell them and it should not be too difficult to put up a factory any day by

M. K. BHANDARKAR. B.Sc.
MANAGER
THE INDIA SUGARS & REFINERIES LTD.

HOSPET
(BELLARY DIST.)

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Dated.....

about the end of 1952 in any of these places. If you take up this proposal seriously.

I hope I have not wasted your time with this letter and visit

Yours faithfully

M. K. Bhandarkar

Proposal for starting of a Co-operative society under the new Tungabhadra Canal.

There can be no two opinions about the fact that Madras is a deficit State as regards its requirements of sugar and more over it is ideally situated for the development of cane and hence the Sugar Industry.

The total consumption of Madras State including the Cochin Travancore Union is estimated at 1-lakh-of tons pre-war and the present figure may be put down safely as 1.5 lakhs tons.

Against this requirement of 1.5 lakhs of tons the existing factories produce about 0.6 lakhs. It is estimated that the extensions under contemplation and the new factories under erection are expected to contribute abou a further 0.20 lakhs

Thus there is a deficit of nearly 0.7 lakhs of tons per annum.

It is well known that under the post-war development scheme Madras was allotted the maximum number of units - eight in number - but only two have come up.

Even though the necessary licence and sanction for Capital Issue, was obtained for others they did not see the light of the day because of the very poor response from investors which is due to many reasons but mainly because of the depression in the stock market in 1948.

Provincial jealousies specially towards the North Indian capitalists coming to the South was also responsible to scare away many of the entrepre

As Sir T.S.Venkatraman said "Madras have lost the Bus but even now it not too late to catch it at the next stop provided we make a dash for it."

Whether we have the necessary stamina to make the dash is the question. In the present mood of the investing market it is well-nigh impossible to go to the market to collect the total capital of about 40 to 50 lakhs to start a new factory. But still one need not loose all hope.

I make the following suggestion which if actively supported by the Ministry is capable of fruition in about 2 to 3 years time.

I am told from very reliable source that it is contemplated to have 15 thousand acres of cane under the New Tungabhadra channel but there

is no scheme ~~xxxx~~ to concentrate it in any particular area to start a factory.

It is most unwise to distribute this acreage over a length of 200 miles of channel. If the area is distributed then only jaggery could be manufactured, in which line state is already surplus

If however the area could be concentrated in two blocks of say 7500 acres in two different reaches of the channel it will enable the starting of two factories

A sugar factory of the medium size of 400-500 tons capacity per day requiring about 80,000 to 1,00,000 tons of cane per season required about 3500 to 4,000 acres under cane. If the blocs are concentrated in extent of 6,000 to 7,000 acres then rotation of the crop which is essential to keep up the ~~fertility~~ fertility of the soil will also be possible. That is at any one time only about 3500 acres will be under cane and the balance under other food crops or green manure like sun-hemp etc.,

It should not be difficult to raise the required capital to start a co-operative factory in this scheme, if the Government, will only use a little compulsion.

The land owners can be asked to contribute Rs. 300/- per acre towards the share capital of the company to be floated. Thus from 7000 acres easily 21 lakhs could be collected. In case the land owner is too poor to contribute this amount the land mortgage Bank can advance the money to be recovered in easy instalments.

The balance capital ~~xxx~~ required is to be subscribed by the Government if no private individual is coming forward.

In order to make use of the modern mechanical equipment for cultivation and transportation etc., it is necessary to consolidate the area in blocs of/20~~0~~ a minimum acres and provision should be made for laying light railway ~~fx~~ trac from fields to factory for transport of cane.

Thus a most modern and model factory incorporating all the modern and up-to-date developments in agriculture as well as in manufacturing techniq

could be established if the Government will take up this proposition seriously

Here is an opportunity to establish a co-operative factory which has been recomended as the only solution for the two conflicting interests of cane growers and manufacturers.

If the Government take ~~it~~ up the proposition ~~seriously~~ now, the factory will be ready to crush when the Dam and canal is completed.

It may not be out of place to draw the attention of the Madras Government to what Hon'ble M.P.Patil told the sugar manufacturers recently that Bombay is going ahead with establishing six more new factories besides extending the existing ones and the dream of self sufficiency in sugar will not be long to be realised.

If Madras do not take up this opportunity it may be too late " to get a seat in the Sugar Bus" as Sir T.S.Venkataraman said because by then the country would be not only saturated but super-saturated with sugar and the Central Government may not permit new units

The high cost of machinery which is often bandied and which is responsible to scare away many an enterprising entrepreneurs need not frighten them as the freight advantage of Rs. 60/- per ton of sugar enjoyed by the factories in the South will more than off set the high rate of depreciation on the new machinery.

I hope the Government and specially the Royalaseema Development Board will take up this proposition seriously

Hospet,
11/11/50.

M. V. Bhaskara Rao.
Manager
India Sugars & Refineries Ltd
HOSPET

Pl. issue
28/11/50.

Dev. (P&D) Deptt.

MEMORANDUM NO. 116288-P&D.II/50-1 DATED 24-11-50.

Sub: SUGAR INDUSTRY -- Establishment of a new sugar factory in the Tungabhadra canal area.

pp 1-3 C.F

Ref: From Sri M.K.Bhandarkar, Hospet, dated 16-11-1950.

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A copy of the letter cited is forwarded to the D.I & C for remarks in consultation with the D.A. and the R.C.S.

To the D.I & C. with
Copy to D.A. Jencl.
,, ,, R.C.S. I

20.11.50 20.11.50 21/11/50 26/11 29.11.50

30/11 pp 1-9 C.F

(N.R. 25-12-50)

E.R. issued on 27.12.50

(N.R. 13-1-51)

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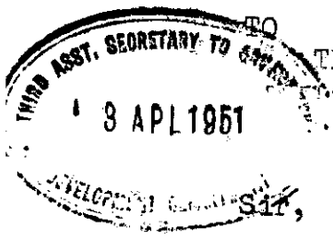
Department of Industries & Commerce.

No. 7650-A1/50, dated 5th April, 1951.

From
Sri M.T. Raju, Bar-at-Law, I.C.S.,
Director of Industries & Commerce,
Madras-6.



Dev 41794 P&D II
13.4.51

To
The Secretary to Government,
Development Department,
Fort St. George,
Madras.

Sir,

Sub: Sugar Industry - Establishment of a new Sugar factory in the Tungabhadra Canal area-

p 11 above Ref: Government memo No. 116288-P&D. II/50-1, Development, dated 27-11-50.

p 16 3 c.f. In his letter dated 16-11-50 a copy of which has been forwarded to me with the Government memorandum cited above, Sri M.K. Bhandarkar has suggested the establishment of a sugar factory at Kampli, 17 miles from Hospet. He has also proposed that the Sugar Factory should be run by a Co-operative Society and necessary capital raised from the local land-owners, if necessary, on a compulsory basis, the deficit if any being made up by Government subscription.

A'ar p 1 above

As desired in the Government memo cited above, I consulted the Director of Agriculture and the Registrar of Co-operative Societies in the matter. Copies of their replie dated 5-2-51 and 15-3-51 are enclosed. The Director of Agriculture has stated that of the two sugarcane belts proposed ~~below~~ under the Tungabhadra Canal area, one will be located in the region of Kampli, the place suggested by Sri Bhandarkar for locating the sugar factory. The Director of Agriculture has further stated that ~~Kampli~~ the Kampli has already about 2500 acres of cane and that if half the proposed 15,000 acres is to be concentrated here, there will be ample cane for running a medium size factory of 400--500 tons daily crushing capacity. The Director of Agriculture has also expressed the view that a better site would possibly be Kosgi where the other sugar-cane belt is proposed to be located and which has the advantage of being close to a railway station. It would seem that the P.W.D. and the Agricultural Department have been directed to make a joint inspection of this area and the Director of Agriculture considers that when the inspection has been completed, a final decision as to its suitability for growing cane could be arrived at.

p 17 below

p 17 below
p 16 below

A & B on pp 16 & 17 below

Neither the Director of Agriculture nor the Registrar of Co-operative Societies is in favour of the factory being set up on a co-operative basis, since past experience in the running of sugar factories elsewhere in the State By Co-operative Societies has not been encouraging. Further as pointed out by the Registrar of Co-operative Societies, it would not be feasible for Government to resort to compulsion to collect capital from local land-owners for establishing a c-operative factory.

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I am in agreement with the views expressed by the Director of Agriculture and the Registrar of Co-operative Societies and submit that while the area in question offers distinct prospects for the establishment of a sugar factory, it ~~ww~~ might not prove fruitful to seek to ~~r~~nder the project a co-operative enterprise. pp. 16-17 below

V. Sattanathan, 12.4.51
for Director of Industries
& Commerce.

MS/10/4/-

Encls. 2 12/4/51
(Two) MS 12/4

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Copy of letter RC.161126/50-F, d/ 15-3-1951 from the Registrar of Co-operative Societies, Madras.

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Sub: Sugar Factories - Establishment of a Co-operative Sugar Factory in the Tungabhadra Canal area - Bellary Dt. - Proposal of Sri M.K. Bhandarkar - Remarks-offered -

p. 11 above

Ref: i. Govt., Development Department memorandum No. 116288-P&D.II/50-1, d/ 27-11-1950.
ii. Your letters 7650-AI, dated 5-12-1950 and 10-2-1951.
iii. Your D.O. letter No. 7650-AI/50, d/26-2-1951 to Sri K. Subrahmanyam Naidu.

D.O. C

p. 9 above

In his letter dated 16-11-1950, Sri M.K. Bhandarkar of Hospet suggested that a co-operative sugar factory might be established in the Tungabhadra Canal area. The Dy. Registrar, Bellary to whom the proposal was referred for remarks has reported that the Special Officer in charge of the Thungabhadra project and the Special Agricultural Officer for Localisation have already come to the tentative conclusion that Kampli area is suitable for the establishment of a Sugar factory. It is also reported by the Dy. Registrar that the Special staff working under the Special Officer is studying the soil in and around Sirugappa to find out its suitability for sugarcane cultivation and that, if the survey reveals positive results, they might recommend to Government the question of organising another sugar factory in that area. As regards the area between Guntakkal and Raichur referred to by Mr. Bhandarkar, enquiry revealed that the area near Kosigi(which is nearer to Raichur) though good enough for sugarcane cultivation, cannot be selected fof the starting of a sugar factory due to the absence of irrigation facilities.

2. As regards the organisation of Sugar Factory on cooperative basis, the following factors require to be examined before venturing on the scheme:--

i) Willingness of the sugarcane-growers in the area to form themselves into a cooperative organisation;
ii) Their ability to subscribe the required amount of share-capital;

iii) Finance for some part of the capital expenditure and for working expenditure.

iv) Agailability of plant and machinery.

i) For any cooperative enterprise to become uccessful, the move shouldcome from the prospective embers who should be sugar-cane growers. In the present case, there is no evidence of any such voluntary move from the cane-growers of the area. No purpose will be served by proceeding with the scheme without first ascertaining the views of the sugarcane cultivators, in the matter.

ii) The Dy. Registrar has reported that the total acreage under sugarcane cultivation in Kampli area is 2,500, which can be increased to 5,000 acres in due course. According to his estimate, a share capital of at least Rs 15 lakhs, at Rs 300/- per acre should be assured before launching the scheme. It is highly doubtful if the cane-growers of the area can afford to subscribe Rs 300/- per acre. Experience has shown that, despite the best efforts of the Special Deputy Registrar, the Etikoppaka Cooperative ~~Agriculture and Industrial Society Ltd~~

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Agriculture and Industrial Society Limited in the Visakhapatnam District is finding it hard to raise the share capital required to finance its scheme for replacing the existing plant by one of 600 tons daily crushing capacity. Mr. Bhandarkar has suggested the use of compulsion to secure the required amount of share capital. Compulsion is opposed to the voluntary principle of cooperation and cannot therefore be resorted to. Mr. Bhandarkar has suggested that in the case of poor land owners, the land mortgage bank can advance the monies to be recovered in easy instalments. Land Mortgage Banks cannot finance agriculturists for purposes of raising share capital. This apart, it is unlikely that all the growers will have sufficient immovable property free from encumbrance for offering as security for the loan. The other suggestion that "the balance of capital required is to be subscribed by the Government, if no individual is coming forward" does not appear to merit any consideration inview of the financial stringency.

'M' emp'l abou

iii) The agency that should undertake the financing of the scheme and the terms and conditions of financing should be settled before launching the scheme. Any agency that is approached for finance will demand adequate security for the funds. The following are the agencies that may be approached for finance:

(1) The Madras Industrial Investment Corporation,

(2) The Delhi Industrial Finance Corporation,

(3) The Madras Government under the State Aid to Industries Act, and

(4) The Madras Provincial Cooperative Bank.

In the case of the Ettikoppaka Cooperative Agriculture and Industrial Society in the Visakhapatnam District, the Madras Provincial Co-operative Bank has agreed to finance the scheme for the erection of the new factory on the definite understanding that the existing plant and buildings and the plant to be purchased and erected are offered as security in addition to personal security to the extent of Rs 3 laths, offered by its directors. In this case, it will be difficult to obtain finance as the security to be offered viz., the factory to be set up, will not be adequate.

(iv) A sugar factory with a plant of less than 600 tons daily crushing capacity is not regarded as an economic unit. Prohibitive cost, exchange difficulties and delay rule out the possibility of importing a new plant either from the United Kingdom or from the United States of America. The only alternative will be to go in for a second-hand plant. The Etikoppaka Cooperative Agriculture and Industrial Society has purchased a second-hand plant from the Uttar Pradesh at a cost of Rs 18.50 lakhs. It is doubtful if a similar plant at a reasonable cost for the proposed factory in Bellary District can be secured.

I do not therefore support the proposal for a Co-operative Sugar Factory in the Tungabadhra area.

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1/4/52

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Copy of letter No. ROC.D.1.864/50, dated 5-2-51 from the Director of Agriculture, Madras-5 to the Director of Industries & Commerce, Madras.6.

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Sub: Sugar Industries - Establishment of a new Sugar Factory in the Tungabhadra Canal area- remarks on -

D.C Ref: Your letter No. 7650-A1/50, dated 5-12-50.

There are no two opinions on the need for expansion of the industry in this State which has potentialities to produce the highest tonnage of cane per unit area.

2. The success however lies in securing enough cane area for the factory, in the provision of cheap transport for cane, in securing a good plant and securing adequate capital.

3. The proposed belts for cane are to be at Kampli (17 miles from Hospet) Kosgi (about 13 miles from Adoni). Kampli has already about 2,500 acres of cane and if half of the proposed 15,000 acres is to be concentrated here, there will be ample cane for running a medium size factory of 400-500 tons and this cane cannot be drawn profitably by the existing Hospet Factory because of the distance.

4. Kosgi, on the other hand, will not only have equally adequate supply of cane but is close to a railway station. This will mean a great reduction in transport cost, which is essential to run the factory successfully. The Public Works Department and Agricultural Department have been directed to make a joint inspection of the 2 centres and when this is completed, it should be possible to arrive at a final decision on the suitability of Kosgi.

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5. A good plant being necessary, it has to be ascertained if the plants which may be available in U.P. and Bihar are factory-worthy. If no sound plant can be got the proposal has to be abandoned in view of the difficulty to get a new plant from abroad in these days.

6. A co-operative factory would be ideal but is not recommended as in other parts of the state such an enterprise did not materialise as was expected. Private enterprise is therefore better.

B

==D 12/4/51

GMK 12/4

Dev. (P&D.II) Deptt.

LETTER NO. 116288-P&D.II/50-16 DATED 26-4-51

To

Sri M.K.Bhandarkar,
Manager,
The India Sugars and Refineries Ltd.,
Hospet, Bellary District.

Sir,

Sub: SUGAR INDUSTRY--Establishment of a new sugar factory in the Tungabhadra canal area.

Ref: Your letter dated 16-11-1950.

I am directed to state that though there is much scope for sugarcane cultivation and for the sugar industry in the Tungabhadra canal area, the Government consider that the establishment of a sugar factory on co-operative basis ~~may not be successful~~ should be considered when the cultivation is stabilised.

Y.F.

Copy to D.I & C w.r.to his letter No.7650-A1/50 d/5-4-51.
Copy to D.A. w.r.to his letter No.Roc.D.1.864/50, d/5-2-51.
Copy to R.C.S. with his letter Rc.161126/50-F, dated 15-3-51.

Note

Dev. (P&D.II) Deptt.

C. No. 116288-P&D.II/50.

Sub: SUGAR INDUSTRY--Establishment of a new sugar factory in the Tungabhadra Canal area.

pp 1-3 C F
p 11 C.F
pp. 13-14 C.F

Ref: From Sri M.K.Bhandarkar, Hospet, letter dated 16-11-1950.
Issued as Memo. No.116288-P&D.II/50-1 dated 27-11-1950.
From the D.I & C No.7650-A.1/50 dated 5-4-1951.

In his letter on pp.1-3 c.f. Sri M.K.Bhandarkar of Hospet has requested Government to consider the question of establishing a sugar factory in the Tungabhadra canal area on co-operative basis.

p 11 C.F.

The D.I & C was asked to examine the question in consultation with the D.A. and the R.C.S. The D.A. has reported

p.17 C.F.

that large areas in the Tungabhadra Canal area will come under sugarcane and there is good scope for the sugar industry in the area.

But the D.A., D.I & C and the R.C.S. are not in favour of setting up the factory on co-operative lines. In this connection it may be pointed out that a sugar factory on co-operative lines is being run at Etikoppaka and it has been permitted to expand its capacity. The Government had to

pps. not put up

lend the free services of a Deputy Registrar for collection of share capital etc. as the Society could not stand on its own legs. It is nearly four years since the factory was permitted to expand and still it has not yet started.

A ppoposal to set up a new factory in Chittoor District

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on co-operative lines was recently considered and it had to be dropped as its success was doubted.

It may also be pointed out in this connection that there are areas in the State which grow sugar cane in abundance and which are not served by sugar factories. Such being the case, it seems premature to think of establishing a factory in the Tungabhadra Canal area which is yet to grow cane.

Moreover, the allocation of sugar units made by the Government of India under the Postwar Plan has been fully distributed and there is no balance left for allocation in the Tungabhdra project area. Sri Bhandarkar may be informed

of the position. Subject to orders, a draft letter is submitted for approval.

19.4.51
(Smith C.L.)

JS/JS/HM(Ind)
HM CLR

In deciding upon the nature of industrial units which may be established in the area to be commanded by the Tungabhadra canals, several considerations have to be taken into consideration. The agricultural economy of the area will change with the supply of water in the canals but it may take some time for the new agricultural practices to be settled - soil erosion - double rotation etc. It may therefore be a couple of years before we can be sure of getting adequate supplies of cane for a sugar factory.

The next question is whether the factory should be started by a Co-operative Society or a Joint Stock Company. According to the R.C.S. the first alternative is not possible. As regards the second no private individual can be expected to institute a scheme now without the raw material required.

In any case it appears

4/24

premature to consider this proposition at this stage.

Sd/-
20/4/51

23/4

The proposal is premature and can be considered when the situation is stabilised

Sd. N. (illegible) 24/4

for N. (L.)

23/4

25/4

B. 19/4/51

Issued as Letter no: 116.28/8 P&DH/50-6 dated 26-4-51.